

109TH CONGRESS
2D SESSION

S. 2446

To promote the national security and stability of the economy of the United States by reducing the dependence of the United States on oil through the use of alternative fuels and new technology, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 16 (legislative day, MARCH 15), 2006

Mr. OBAMA (for himself and Mr. LUGAR) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To promote the national security and stability of the economy of the United States by reducing the dependence of the United States on oil through the use of alternative fuels and new technology, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Fuels Act
5 of 2006”.

6 **SEC. 2. OFFICE OF ENERGY SECURITY.**

7 (a) DEFINITIONS.—In this section:

1 (1) DIRECTOR.—The term “Director” means
2 the Director of Energy Security appointed under
3 subsection (c)(1).

4 (2) OFFICE.—The term “Office” means the Of-
5 fice of Energy Security established by subsection
6 (b).

7 (b) ESTABLISHMENT.—There is established in the
8 Executive Office of the President the Office of Energy Se-
9 curity.

10 (c) DIRECTOR.—

11 (1) IN GENERAL.—The Office shall be headed
12 by a Director, who shall be appointed by the Presi-
13 dent, by and with the advice and consent of the Sen-
14 ate.

15 (2) RATE OF PAY.—The Director shall be paid
16 at a rate of pay equal to level I of the Executive
17 Schedule under section 5312 of title 5, United
18 States Code.

19 (d) RESPONSIBILITIES.—

20 (1) IN GENERAL.—The Office, acting through
21 the Director, shall be responsible for overseeing all
22 Federal energy security programs, including the co-
23 ordination of efforts of Federal agencies to assist the
24 United States in achieving full energy independence.

1 (2) SPECIFIC RESPONSIBILITIES.—In carrying
2 out paragraph (1), the Director shall—

3 (A) serve as head of the energy commu-
4 nity;

5 (B) act as the principal advisor to the
6 President, the National Security Council, the
7 National Economic Council, the Domestic Pol-
8 icy Council, and the Homeland Security Council
9 with respect to intelligence matters relating to
10 energy security;

11 (C) with request to budget requests and
12 appropriations for Federal programs relating to
13 energy security—

14 (i) consult with the President and the
15 Director of the Office of Management and
16 Budget with respect to each major Federal
17 budgetary decision relating to energy secu-
18 rity of the United States;

19 (ii) based on priorities established by
20 the President, provide to the heads of de-
21 partments containing agencies or organiza-
22 tions within the energy community, and to
23 the heads of such agencies and organiza-
24 tions, guidance for use in developing the

1 budget for Federal programs relating to
2 energy security;

3 (iii) based on budget proposals pro-
4 vided to the Director by the heads of agen-
5 cies and organizations described in clause
6 (ii), develop and determine an annual con-
7 solidated budget for Federal programs re-
8 lating to energy security; and

9 (iv) present the consolidated budget,
10 together with any recommendations of the
11 Director and any heads of agencies and or-
12 ganizations described in clause (ii), to the
13 President for approval;

14 (D) establish and meet regularly with a
15 council of business and labor leaders to develop
16 and provide to the President and Congress rec-
17 ommendations relating to the impact of energy
18 supply and prices on economic growth;

19 (E) submit to Congress an annual report
20 that describes the progress of the United States
21 toward the goal of achieving full energy inde-
22 pendence; and

23 (F) carry out such other responsibilities as
24 the President may assign.

25 (e) STAFF.—

1 (1) IN GENERAL.—The Director may, without
 2 regard to the civil service laws (including regula-
 3 tions), appoint and terminate such personnel as are
 4 necessary to enable the Director to carry out the re-
 5 sponsibilities of the Director under this section.

6 (2) COMPENSATION.—

7 (A) IN GENERAL.—Except as provided in
 8 subparagraph (B), the Director may fix the
 9 compensation of personnel without regard to
 10 the provisions of chapter 51 and subchapter III
 11 of chapter 53 of title 5, United States Code, re-
 12 lating to classification of positions and General
 13 Schedule pay rates.

14 (B) MAXIMUM RATE OF PAY.—The rate of
 15 pay for the personnel appointed by the Director
 16 shall not exceed the rate payable for level V of
 17 the Executive Schedule under section 5316 of
 18 title 5, United States Code.

19 (f) AUTHORIZATION OF APPROPRIATIONS.—There
 20 are authorized to be appropriated such sums as are nec-
 21 essary to carry out this section.

22 **SEC. 3. CREDIT FOR PRODUCTION OF QUALIFIED FLEXIBLE**
 23 **FUEL MOTOR VEHICLES.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
 25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
 2 section:

3 **“SEC. 45N. PRODUCTION OF QUALIFIED FLEXIBLE FUEL**
 4 **MOTOR VEHICLES.**

5 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 6 tion 38, the qualified flexible fuel motor vehicle production
 7 credit determined under this section for any taxable year
 8 is an amount equal to \$100 for each qualified flexible fuel
 9 motor vehicle produced in the United States by the manu-
 10 facturer during the taxable year.

11 “(b) QUALIFIED FLEXIBLE FUEL MOTOR VEHI-
 12 CLE.—For purposes of this section, the term ‘qualified
 13 flexible fuel motor vehicle’ means a flexible fuel motor ve-
 14 hicle—

15 “(1) the production of which is not required for
 16 the manufacturer to meet—

17 “(A) the maximum credit allowable for ve-
 18 hicles described in paragraph (2) in determining
 19 the fleet average fuel economy requirements (as
 20 determined under section 32904 of title 49,
 21 United States Code) of the manufacturer for
 22 the model year ending in the taxable year, or

23 “(B) the requirements of any other provi-
 24 sion of Federal law, and

1 “(2) which is designed so that the vehicle is
2 propelled by an engine which can use as a fuel a
3 gasoline mixture of which 85 percent (or another
4 percentage of not less than 70 percent, as the Sec-
5 retary may determine, by rule, to provide for re-
6 quirements relating to cold start, safety, or vehicle
7 functions) of the volume of consists of ethanol.

8 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—
9 For purposes of this section—

10 “(1) MOTOR VEHICLE.—The term ‘motor vehi-
11 cle’ has the meaning given such term by section
12 30(c)(2).

13 “(2) MANUFACTURER.—The term ‘manufac-
14 turer’ has the meaning given such term in regula-
15 tions prescribed by the Administrator of the Envi-
16 ronmental Protection Agency for purposes of the ad-
17 ministration of title II of the Clean Air Act (42
18 U.S.C. 7521 et seq.).

19 “(3) REDUCTION IN BASIS.—For purposes of
20 this subtitle, if a credit is allowed under this section
21 for any expenditure with respect to any property, the
22 increase in the basis of such property which would
23 (but for this paragraph) result from such expendi-
24 ture shall be reduced by the amount of the credit so
25 allowed.

1 “(4) NO DOUBLE BENEFIT.—The amount of
 2 any deduction or credit allowable under this chapter
 3 (other than the credits allowable under this section
 4 and section 30B) shall be reduced by the amount of
 5 credit allowed under subsection (a) for such vehicle
 6 for the taxable year.

7 “(5) ELECTION NOT TO TAKE CREDIT.—No
 8 credit shall be allowed under subsection (a) for any
 9 vehicle if the taxpayer elects to not have this section
 10 apply to such vehicle.

11 “(6) TERMINATION.—This section shall not
 12 apply to any vehicle produced after December 31,
 13 2010.

14 “(7) CROSS REFERENCE.—For an election to
 15 claim certain minimum tax credits in lieu of the
 16 credit determined under this section, see section
 17 53(e).”.

18 (b) CREDIT ALLOWED AGAINST THE ALTERNATIVE
 19 MINIMUM TAX.—Section 38(c)(4)(B) of the Internal Rev-
 20 enue Code of 1986 (defining specified credits) is amended
 21 by striking the period at the end of clause (ii)(II) and in-
 22 serting “, and”, and by adding at the end the following
 23 new clause:

24 “(iii) the credit determined under sec-
 25 tion 45N.”.

1 (c) ELECTION TO USE ADDITIONAL AMT CREDIT.—

2 Section 53 of the Internal Revenue Code of 1986 (relating
3 to credit for prior year minimum tax liability) is amended
4 by adding at the end the following new subsection:

5 “(e) ADDITIONAL CREDIT IN LIEU OF FLEXIBLE
6 FUEL MOTOR VEHICLE CREDIT.—

7 “(1) IN GENERAL.—In the case of a taxpayer
8 making an election under this subsection for a tax-
9 able year, the amount otherwise determined under
10 subsection (c) shall be increased by any amount of
11 the credit determined under section 45N for such
12 taxable year which the taxpayer elects not to claim
13 pursuant to such election.

14 “(2) ELECTION.—A taxpayer may make an
15 election for any taxable year not to claim any
16 amount of the credit allowable under section 45N
17 with respect to property produced by the taxpayer
18 during such taxable year. An election under this sub-
19 section may only be revoked with the consent of the
20 Secretary.

21 “(3) CREDIT REFUNDABLE.—The aggregate in-
22 crease in the credit allowed by this section for any
23 taxable year by reason of this subsection shall for
24 purposes of this title (other than subsection (b)(2)

1 of this section) be treated as a credit allowed to the
 2 taxpayer under subpart C.”.

3 (d) CONFORMING AMENDMENTS.—Section 38(b) of
 4 the Internal Revenue Code of 1986 is amended by striking
 5 “and” at the end of paragraph (29), by striking the period
 6 at the end of paragraph (30) and inserting a comma, and
 7 by adding at the end the following new paragraph:

8 “(31) the qualified flexible fuel motor vehicle
 9 production credit determined under section 45N,
 10 plus”.

11 (e) CLERICAL AMENDMENT.—The table of sections
 12 for subpart D of part IV of subchapter A of chapter 1
 13 of the Internal Revenue Code of 1986 is amended by add-
 14 ing at the end the following new item:

“Sec. 45N. Production of qualified flexible fuel motor vehicles.”.

15 (f) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to motor vehicles produced in
 17 model years ending after the date of the enactment of this
 18 Act.

19 **SEC. 4. INCENTIVES FOR THE RETAIL SALE OF ALTER-**
 20 **NATIVE FUELS AS MOTOR VEHICLE FUEL.**

21 (a) IN GENERAL.—Subpart D of part IV of sub-
 22 chapter A of chapter 1 of the Internal Revenue Code of
 23 1986 (relating to business related credits) is amended by
 24 inserting after section 40A the following new section:

1 **“SEC. 40B. CREDIT FOR RETAIL SALE OF ALTERNATIVE**
 2 **FUELS AS MOTOR VEHICLE FUEL.**

3 “(a) GENERAL RULE.—The alternative fuel retail
 4 sales credit for any taxable year is the applicable amount
 5 for each gallon of alternative fuel sold at retail by the tax-
 6 payer during such year.

7 “(b) APPLICABLE AMOUNT.—For purposes of this
 8 section, the applicable amount shall be determined in ac-
 9 cordance with the following table:

“In the case of any sale:	The applicable amount for each gallon is:
Before 2009	35 cents
During 2009 or 2010	20 cents
During 2011	10 cents.

10 “(c) DEFINITIONS.—For purposes of this section—

11 “(1) ALTERNATIVE FUEL.—The term ‘alter-
 12 native fuel’ means any fuel at least 85 percent (or
 13 another percentage of not less than 70 percent, as
 14 the Secretary may determine, by rule, to provide for
 15 requirements relating to cold start, safety, or vehicle
 16 functions) of the volume of which consists of eth-
 17 anol.

18 “(2) SOLD AT RETAIL.—

19 “(A) IN GENERAL.—The term ‘sold at re-
 20 tail’ means the sale, for a purpose other than
 21 resale, after manufacture, production, or impor-
 22 tation.

1 “(B) USE TREATED AS SALE.—If any per-
 2 son uses alternative fuel (including any use
 3 after importation) as a fuel to propel any quali-
 4 fied alternative fuel motor vehicle (as defined in
 5 this section) before such fuel is sold at retail,
 6 then such use shall be treated in the same man-
 7 ner as if such fuel were sold at retail as a fuel
 8 to propel such a vehicle by such person.

9 “(3) QUALIFIED ALTERNATIVE FUEL MOTOR
 10 VEHICLE.—The term ‘new qualified alternative fuel
 11 motor vehicle’ means any motor vehicle—

12 “(A) which is capable of operating on an
 13 alternative fuel,

14 “(B) the original use of which commences
 15 with the taxpayer,

16 “(C) which is acquired by the taxpayer for
 17 use or lease, but not for resale, and

18 “(D) which is made by a manufacturer.

19 “(d) ELECTION TO PASS CREDIT.—A person which
 20 sells alternative fuel at retail may elect to pass the credit
 21 allowable under this section to the purchaser of such fuel
 22 or, in the event the purchaser is a tax-exempt entity or
 23 otherwise declines to accept such credit, to the person
 24 which supplied such fuel, under rules established by the
 25 Secretary.

1 “(e) PASS-THRU IN THE CASE OF ESTATES AND
 2 TRUSTS.—Under regulations prescribed by the Secretary,
 3 rules similar to the rules of subsection (d) of section 52
 4 shall apply.

5 “(f) TERMINATION.—This section shall not apply to
 6 any fuel sold at retail after December 31, 2011.”.

7 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
 8 tion 38(b) of the Internal Revenue Code of 1986 (relating
 9 to current year business credit) (as amended by section
 10 3(d)) is amended by adding at the end the following new
 11 paragraph:

12 “(32) the alternative fuel retail sales credit de-
 13 termined under section 40B(a).”.

14 (c) CLERICAL AMENDMENT.—The table of sections
 15 for subpart D of part IV of subchapter A of chapter 1
 16 of the Internal Revenue Code of 1986 is amended by in-
 17 serting after the item relating to section 40A the following
 18 new item:

 “Sec. 40B. Credit for retail sale of alternative fuels as motor vehicle fuel.”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to fuel sold at retail after the date
 21 of enactment of this Act, in taxable years ending after
 22 such date.

23 **SEC. 5. ALTERNATIVE DIESEL FUEL CONTENT OF DIESEL.**

24 (a) FINDINGS.—Congress finds that—

1 (1) section 211(o) of the Clean Air Act (42
2 U.S.C. 7535(o)) (as amended by section 1501 of the
3 Energy Policy Act of 2005 (Public Law 109–58))
4 established a renewable fuel program under which
5 entities in the petroleum sector are required to blend
6 renewable fuels into motor vehicle fuel based on the
7 gasoline motor pool;

8 (2) the need for energy diversification is greater
9 as of the date of enactment of this Act than it was
10 only months before the date of enactment of the En-
11 ergy Policy Act (Public Law 109–58; 119 Stat.
12 594); and

13 (3)(A) the renewable fuel program under sec-
14 tion 211(o) of the Clean Air Act requires a small
15 percentage of the gasoline motor pool, totaling near-
16 ly 140,000,000,000 gallons, to contain a renewable
17 fuel; and

18 (B) the small percentage requirement described
19 in subparagraph (A) does not include the
20 40,000,000,000-gallon diesel motor pool.

21 (b) ALTERNATIVE DIESEL FUEL PROGRAM FOR DIE-
22 SEL MOTOR POOL.—Section 211 of the Clean Air Act (42
23 U.S.C. 7545) is amended by inserting after subsection (o)
24 the following:

1 “(p) ALTERNATIVE DIESEL FUEL PROGRAM FOR
2 DIESEL MOTOR POOL.—

3 “(1) DEFINITION OF ALTERNATIVE DIESEL
4 FUEL.—

5 “(A) IN GENERAL.—In this subsection, the
6 term ‘alternative diesel fuel’ means biodiesel (as
7 defined in section 312(f) of the Energy Policy
8 Act of 1992 (42 U.S.C. 13220(f))) and any
9 blending components derived from alternative
10 fuel (provided that only the alternative fuel por-
11 tion of any such blending component shall be
12 considered to be part of the applicable volume
13 under the alternative diesel fuel program estab-
14 lished by this subsection).

15 “(B) INCLUSIONS.—The term ‘alternative
16 diesel fuel’ includes a diesel fuel substitute pro-
17 duced from—

18 “(i) animal fat;

19 “(ii) vegetable oil;

20 “(iii) recycled yellow grease;

21 “(iv) thermal depolymerization;

22 “(v) thermochemical conversion;

23 “(vi) the coal-to-liquid process (includ-
24 ing the Fischer-Tropsch process); or

1 “(vii) a diesel-ethanol blend of not less
2 than 7 percent ethanol.

3 “(2) ALTERNATIVE DIESEL FUEL PROGRAM.—

4 “(A) REGULATIONS.—

5 “(i) IN GENERAL.—Not later than 1
6 year after the date of enactment of this
7 subsection, the Administrator shall promul-
8 gate regulations to ensure that diesel sold
9 or introduced into commerce in the United
10 States (except in noncontiguous States or
11 territories), on an annual average basis,
12 contains the applicable volume of alter-
13 native diesel fuel determined in accordance
14 with subparagraph (B).

15 “(ii) PROVISIONS OF REGULATIONS.—
16 Regardless of the date of promulgation,
17 the regulations promulgated under clause
18 (i)—

19 “(I) shall contain compliance pro-
20 visions applicable to refineries, blend-
21 ers, distributors, and importers, as
22 appropriate, to ensure that the re-
23 quirements of this paragraph are met;
24 but

25 “(II) shall not—

1 “(aa) restrict geographic
2 areas in which alternative diesel
3 fuel may be used; or

4 “(bb) impose any per-gallon
5 obligation for the use of alter-
6 native diesel fuel.

7 “(iii) REQUIREMENT IN CASE OF
8 FAILURE TO PROMULGATE REGULA-
9 TIONS.—If the Administrator fails to pro-
10 mulgate regulations under clause (i), the
11 percentage of alternative diesel fuel in the
12 diesel motor pool sold or dispensed to con-
13 sumers in the United States, on a volume
14 basis, shall be 0.6 percent for calendar
15 year 2008.

16 “(B) APPLICABLE VOLUME.—

17 “(i) CALENDAR YEARS 2008 THROUGH
18 2015.—For the purpose of subparagraph
19 (A), the applicable volume for any of cal-
20 endar years 2008 through 2015 shall be
21 determined in accordance with the fol-
22 lowing table:

“Applicable volume of Alternative diesel fuel in diesel motor pool (in millions of gallons):	Calendar year:
250	2008
500	2009
750	2010
1,000	2011

“Applicable volume of Alternative diesel fuel in diesel motor pool (in millions of gallons):	Calendar year:
1,250	2012
1,500	2013
1,750	2014
2,000	2015.

1 “(ii) CALENDAR YEAR 2016 AND
2 THEREAFTER.—The applicable volume for
3 calendar year 2016 and each calendar year
4 thereafter shall be determined by the Ad-
5 ministrators, in coordination with the Sec-
6 retary of Agriculture and the Secretary of
7 Energy, based on a review of the imple-
8 mentation of the program during calendar
9 years 2008 through 2015, including a re-
10 view of—

11 “(I) the impact of the use of al-
12 ternative diesel fuels on the environ-
13 ment, air quality, energy security, job
14 creation, and rural economic develop-
15 ment; and

16 “(II) the expected annual rate of
17 future production of alternative diesel
18 fuels to be used as a blend component
19 or replacement to the diesel motor
20 pool.

21 “(iii) MINIMUM APPLICABLE VOL-
22 UME.—For the purpose of subparagraph

(A), the applicable volume for calendar year 2016 and each calendar year thereafter shall be equal to the product obtained by multiplying—

“(I) the number of gallons of diesel that the Administrator estimates will be sold or introduced into commerce during the calendar year; and

“(II) the ratio that—

“(aa) 2,000,000,000 gallons of alternative diesel fuel; bears to

“(bb) the number of gallons of diesel sold or introduced into commerce during calendar year 2015.

“(3) APPLICABLE PERCENTAGES.—

“(A) PROVISION OF ESTIMATE OF VOLUMES OF DIESEL SALES.—Not later than October 31 of each of calendar years 2007 through 2015, the Administrator of the Energy Information Administration shall provide to the Administrator an estimate, with respect to the following calendar year, of the volumes of diesel projected to be sold or introduced into commerce in the United States.

1 “(B) DETERMINATION OF APPLICABLE
2 PERCENTAGES.—

3 “(i) IN GENERAL.—Not later than
4 November 30 of each of calendar years
5 2008 through 2015, based on the estimate
6 provided under subparagraph (A), the Ad-
7 ministrator shall determine and publish in
8 the Federal Register, with respect to the
9 following calendar year, the alternative die-
10 sel fuel obligation that ensures that the re-
11 quirements of paragraph (2) are met.

12 “(ii) REQUIRED ELEMENTS.—The al-
13 ternative diesel fuel obligation determined
14 for a calendar year under clause (i) shall—

15 “(I) be applicable to refineries,
16 blenders, and importers, as appro-
17 priate;

18 “(II) be expressed in terms of a
19 volume percentage of diesel sold or in-
20 troduced into commerce in the United
21 States; and

22 “(III) subject to subparagraph
23 (C), consist of a single applicable per-
24 centage that applies to all categories
25 of persons described in subclause (I).

1 “(C) ADJUSTMENTS.—In determining the
2 applicable percentage for a calendar year, the
3 Administrator shall make adjustments to pre-
4 vent the imposition of redundant obligations on
5 any person described in subparagraph
6 (B)(ii)(I).

7 “(4) CREDIT PROGRAM.—

8 “(A) IN GENERAL.—The regulations pro-
9 mulgated pursuant to paragraph (2)(A) shall
10 provide for the generation of an appropriate
11 amount of credits by any person that refines,
12 blends, or imports diesel that contains a quan-
13 tity of alternative diesel fuel that is greater
14 than the quantity required under paragraph
15 (2).

16 “(B) USE OF CREDITS.—A person that
17 generates a credit under subparagraph (A) may
18 use the credit, or transfer all or a portion of the
19 credit to another person, for the purpose of
20 complying with regulations promulgated pursu-
21 ant to paragraph (2).

22 “(C) DURATION OF CREDITS.—A credit
23 generated under this paragraph shall be valid
24 during the 1-year period beginning on the date
25 on which the credit is generated.

“(D) INABILITY TO GENERATE OR PURCHASE SUFFICIENT CREDITS.—The regulations promulgated pursuant to paragraph (2)(A) shall include provisions allowing any person that is unable to generate or purchase sufficient credits under subparagraph (A) to meet the requirements of paragraph (2) by carrying forward a credit generated during a previous year on the condition that the person, during the calendar year following the year in which the alternative diesel fuel deficit is created—

“(i) achieves compliance with the alternative diesel fuel requirement under paragraph (2); and

“(ii) generates or purchases additional credits under subparagraph (A) to offset the deficit of the previous year.

“(5) WAIVERS.—

“(A) IN GENERAL.—The Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, may waive the requirements of paragraph (2) in whole or in part on receipt of a petition of 1 or more States by reducing the national quantity of alternative diesel fuel for the diesel motor pool required

1 under paragraph (2) based on a determination
 2 by the Administrator, after public notice and
 3 opportunity for comment, that—

4 “(i) implementation of the require-
 5 ment would severely harm the economy or
 6 environment of a State, a region, or the
 7 United States; or

8 “(ii) there is an inadequate domestic
 9 supply of alternative diesel fuel.

10 “(B) PETITIONS FOR WAIVERS.—Not later
 11 than 90 days after the date on which the Ad-
 12 ministrator receives a petition under subpara-
 13 graph (A), the Administrator, in consultation
 14 with the Secretary of Agriculture and the Sec-
 15 retary of Energy, shall approve or disapprove
 16 the petition.

17 “(C) TERMINATION OF WAIVERS.—

18 “(i) IN GENERAL.—Except as pro-
 19 vided in clause (ii), a waiver under sub-
 20 paragraph (A) shall terminate on the date
 21 that is 1 year after the date on which the
 22 waiver is provided.

23 “(ii) EXCEPTION.—The Adminis-
 24 trator, in consultation with the Secretary
 25 of Agriculture and the Secretary of En-

1 ergy, may extend a waiver under subpara-
 2 graph (A), as the Administrator deter-
 3 mines to be appropriate.”.

4 (c) PENALTIES AND ENFORCEMENT.—Section
 5 211(d) of the Clean Air Act (42 U.S.C. 7545(d)) is
 6 amended—

7 (1) in paragraph (1), by striking “or (o)” each
 8 place it appears and inserting “(o), or (p)”; and

9 (2) in paragraph (2), by striking “and (o)”
 10 each place it appears and inserting “(o), and (p)”.

11 (d) TECHNICAL AMENDMENTS.—Section 211 of the
 12 Clean Air Act (42 U.S.C. 7545) is amended—

13 (1) in subsection (i)(4), by striking “section
 14 324” each place it appears and inserting “section
 15 325”;

16 (2) in subsection (k)(10), by indenting subpara-
 17 graphs (E) and (F) appropriately;

18 (3) in subsection (n), by striking “section
 19 219(2)” and inserting “section 216(2)”;

20 (4) by redesignating the second subsection (r)
 21 and subsection (s) as subsections (s) and (t), respec-
 22 tively; and

23 (5) in subsection (t)(1) (as redesignated by
 24 paragraph (4)), by striking “this subtitle” and in-
 25 serting “this part”.

1 **SEC. 6. EXCISE TAX CREDIT FOR CELLULOSIC BIOMASS**

2 **ETHANOL.**

3 (a) **IN GENERAL.**—Paragraph (2) of section 6426(b)
4 of the Internal Revenue Code of 1986 (relating to alcohol
5 fuel mixture credit) is amended by adding at the end the
6 following new subparagraph:

7 “(C) **CELLULOSIC BIOMASS ETHANOL.**—In
8 the case of an alcohol fuel mixture consisting of
9 cellulosic biomass ethanol (as defined in section
10 211(o)(1)(A) of the Clean Air Act), the applica-
11 ble amount is equal to the product of—

12 “(i) the amount specified in subpara-
13 graph (A), times

14 “(ii) the equivalent number of gallons
15 of renewable fuel specified in section
16 211(o)(4) of such Act.”.

17 (b) **CONFORMING AMENDMENT.**—Section
18 6426(b)(2)(A) of such Code is amended by striking “sub-
19 paragraph (B)” and inserting “subparagraphs (B) and
20 (C)”.

21 (c) **EFFECTIVE DATE.**—The amendments made by
22 this section shall apply to fuel sold or used after the date
23 of the enactment of this Act.

1 **SEC. 7. INCENTIVE FOR FEDERAL AND STATE FLEETS FOR**
 2 **MEDIUM AND HEAVY DUTY HYBRIDS.**

3 Section 301 of the Energy Policy Act of 1992 (42
 4 U.S.C. 13211) is amended—

5 (1) in paragraph (3), by striking “or a dual
 6 fueled vehicle” and inserting “, a dual fueled vehicle,
 7 or a medium or heavy duty vehicle that is a hybrid
 8 vehicle”;

9 (2) by redesignating paragraphs (11), (12),
 10 (13), and (14) as paragraphs (12), (14), (15), and
 11 (16), respectively;

12 (3) by inserting after paragraph (10) the fol-
 13 lowing:

14 “(11) the term ‘hybrid vehicle’ means a vehicle
 15 powered both by a diesel or gasoline engine and an
 16 electric motor that is recharged as the vehicle oper-
 17 ates;”; and

18 (4) by inserting after paragraph (12) (as redes-
 19 igned by paragraph (2)) the following:

20 “(13) the term ‘medium or heavy duty vehicle’
 21 means a vehicle that—

22 “(A) in the case of a medium duty vehicle,
 23 has a gross vehicle weight rating of more than
 24 8,500 pounds but not more than 14,000
 25 pounds; and

1 “(B) in the case of a heavy duty vehicle,
 2 has a gross vehicle weight rating of more than
 3 14,000 pounds;”.

4 **SEC. 8. PUBLIC ACCESS TO FEDERAL ALTERNATIVE RE-**
 5 **FUELING STATIONS.**

6 (a) DEFINITIONS.—In this section:

7 (1) ALTERNATIVE FUEL REFUELING STA-
 8 TION.—The term “alternative fuel refueling station”
 9 has the meaning given the term “qualified alter-
 10 native fuel vehicle refueling property” in section
 11 30C(c)(1) of the Internal Revenue Code of 1986.

12 (2) SECRETARY.—The term “Secretary” means
 13 the Secretary of Energy.

14 (b) ACCESS TO FEDERAL ALTERNATIVE REFUELING
 15 STATIONS.—Not later than 18 months after the date of
 16 enactment of this Act—

17 (1) except as provided in subsection (d)(1), any
 18 Federal property that includes at least 1 fuel refuel-
 19 ing station shall include at least 1 alternative fuel
 20 refueling station; and

21 (2) except as provided in subsection (d)(2), any
 22 alternative fuel refueling station located on property
 23 owned by the Federal government shall permit full
 24 public access for the purpose of refueling using al-
 25 ternative fuel.

1 (c) DURATION.—The requirements described in sub-
2 section (b) shall remain in effect until the sooner of—

3 (1) the date that is 7 years after the date of en-
4 actment of this Act; or

5 (2) the date on which the Secretary determines
6 that not less than 5 percent of the commercial re-
7 fueling infrastructure in the United States offers al-
8 ternative fuels to the general public.

9 (d) EXCEPTIONS.—

10 (1) WAIVER.—Subsection (b)(1) shall not apply
11 to any Federal property under the jurisdiction of a
12 Federal agency if the Secretary determines that al-
13 ternative fuel is not reasonably available to retail
14 purchasers of the fuel, as certified by the head of
15 the agency to the Secretary.

16 (2) NATIONAL SECURITY EXEMPTION.—Sub-
17 section (b)(2) does not apply to property of the Fed-
18 eral government that the Secretary, in consultation
19 with the Secretary of Defense, has certified must be
20 exempt for national security reasons.

21 (e) VERIFICATION OF COMPLIANCE.—The Secretary
22 shall—

23 (1) monitor compliance with this section by all
24 Federal agencies; and

1 (2) annually submit to Congress a report de-
 2 scribing the extent of compliance with this section.

3 **SEC. 9. PURCHASE OF CLEAN FUEL BUSES.**

4 (a) IN GENERAL.—Chapter 53 of title 49, United
 5 States Code, is amended by inserting after section 5325
 6 the following:

7 **“§ 5326. Purchase of clean fuel buses.**

8 “(a) DEFINITION OF CLEAN FUEL BUS.—In this sec-
 9 tion, the term ‘clean fuel bus’ means a vehicle that—

10 “(1) is capable of being powered by—

11 “(A) compressed natural gas;

12 “(B) liquefied natural gas;

13 “(C) 1 or more batteries;

14 “(D) a fuel that is composed of at least 85
 15 percent ethanol (or another percentage of not
 16 less than 70 percent, as the Secretary may de-
 17 termine, by rule, to provide for requirements re-
 18 lating to cold start, safety, or vehicle functions);

19 “(E) electricity (including a hybrid electric
 20 or plug-in hybrid electric vehicle);

21 “(F) a fuel cell; or

22 “(G) ultra-low sulfur diesel; and

23 “(2) has been certified by the Administrator of
 24 the Environmental Protection Agency to signifi-
 25 cantly reduce harmful emissions, particularly in a

1 nonattainment area (as defined in section 171 of the
2 Clean Air Act (42 U.S.C. 7501)).

3 “(b) PURCHASE OF BUSES.—A bus purchased using
4 funds made available from the Mass Transit Account of
5 the Highway Trust Fund shall be a clean fuel bus.”.

6 (b) CONFORMING AMENDMENT.—The analysis for
7 chapter 53 is amended by inserting after the item relating
8 to section 5325 the following:

“5326. Clean fuel buses.”.

9 **SEC. 10. DOMESTIC FUELS INFRASTRUCTURE FOR THE DE-**
10 **PARTMENT OF DEFENSE.**

11 (a) PROGRAM REQUIRED.—The Secretary of Defense
12 shall carry out a program to evaluate the commercial and
13 technical viability of advanced technologies for the produc-
14 tion of alternative transportation fuels having applications
15 for the Department of Defense. The program shall include
16 the construction and operation of testing facilities in ac-
17 cordance with subsection (d).

18 (b) ALTERNATIVE TRANSPORTATION FUELS DE-
19 FINED.—For purposes of this section, the term “alter-
20 native transportation fuels” means—

- 21 (1) denatured ethanol and other alcohols;
- 22 (2) mixtures containing at least 85 percent (or
23 another percentage of not less than 70 percent, as
24 the Secretary may determine, by rule, to provide for
25 requirements relating to cold start, safety, or vehicle

1 functions) by volume of denatured ethanol, particu-
2 larly ethanols derived from cellulosic biomass;

3 (3) coal-derived liquid fuels, including Fischer-
4 Tropsch fuels;

5 (4) fuels (other than alcohol) derived from bio-
6 logical materials, including fuels derived from vege-
7 table oils, animal fats, thermal depolymerization, or
8 thermalchemical conversion; and

9 (5) any other fuel the Secretary determines, by
10 rule, is substantially not petroleum and would yield
11 substantial energy security benefits and substantial
12 environmental benefits.

13 (c) COORDINATION OF EFFORTS.—

14 (1) IN GENERAL.—The Secretary of Defense
15 shall carry out the program required by this section
16 through the Under Secretary of Defense for Acquisi-
17 tion, Technology, and Logistics and in consultation
18 with the Director of Defense Research and Engi-
19 neering, the Advanced Systems and Concepts Office,
20 the Secretary of Agriculture, and the Secretary of
21 Energy.

22 (2) ROLE OF BIOMASS RESEARCH AND DEVEL-
23 OPMENT TECHNOLOGIC ADVISORY COMMITTEE.—

24 The consultations under paragraph (1) shall include
25 the participation of the Biomass Research and De-

1 velopment Technical Advisory Committee established
2 under section 306 of the Biomass Research and De-
3 velopment Act of 2000 (title III of Public Law 106–
4 224; 7 U.S.C. 8101 note).

5 (d) FACILITIES FOR EVALUATING PRODUCTION OF
6 ALTERNATIVE TRANSPORTATION FUELS.—

7 (1) IN GENERAL.—In carrying out the program
8 required by this section, the Secretary of Defense
9 shall provide for the construction or capital modi-
10 fication of—

11 (A) not more than 3 facilities for the pur-
12 poses of evaluating the production from cel-
13 lulosic biomass of alternative transportation
14 fuels having applications for the Department of
15 Defense; and

16 (B) not more than 3 facilities for the pur-
17 poses of evaluating the production from coal of
18 alternative transportation fuels having applica-
19 tions for the Department of Defense, with not
20 less than one of such facilities utilizing coal re-
21 sources with a ranking by the American Society
22 for Testing and Materials of high volatile bitu-
23 minous B and C.

1 (2) LOCATION OF FACILITIES.—The facilities
2 constructed under paragraph (1) for the purposes of
3 cellulosic biomass shall—

4 (A) afford the efficient use of a diverse
5 range of fuel sources; and

6 (B) give initial preference to existing do-
7 mestic facilities with current or potential capac-
8 ity for cellulose or coal conversion.

9 (3) CAPACITY OF FACILITIES.—Each facility
10 constructed under paragraph (1) shall have the flexi-
11 bility for producing commercial volumes of alter-
12 native transportation fuels such that when the facil-
13 ity demonstrates economic viability of the process it
14 can provide commercial production for the region in
15 which it is located.

16 (4) AUTHORITY TO ENTER INTO TRANSACTIONS
17 FOR FACILITY CONSTRUCTION.—The Secretary of
18 Defense shall seek to construct the facilities required
19 by paragraph (1) at the lowest cost practicable. The
20 Secretary may make grants, enter into agreements,
21 and provide loans or loan guarantees to corpora-
22 tions, cooperatives, and consortia of such entities for
23 such purposes.

24 (5) EVALUATIONS AT FACILITIES.—Not later
25 than 5 years after the date of enactment of this Act,

1 the Secretary of Defense shall begin at the facilities
2 described in paragraph (1) evaluations of the tech-
3 nical and commercial viability of different processes
4 of producing alternative transportation fuels having
5 Department of Defense applications from cellulosic
6 biomass or coal.

7 (e) PROGRAM MILESTONES.—In carrying out the
8 program required by this section, the Secretary of Defense
9 shall meet the following milestones:

10 (1) SELECTION OF TESTING PROCESSES.—Not
11 later than 180 days after the date of enactment of
12 this Act, the Secretary shall select processes for
13 evaluating the technical and commercial viability of
14 producing alternative fuels from cellulosic biomass or
15 coal.

16 (2) INITIATION OF WORK AT EXISTING FACILI-
17 TIES.—Not later than one year after the date of en-
18 actment of this Act, the Secretary shall enter into
19 agreements to carry out testing under this section at
20 existing facilities.

21 (3) CONSTRUCTION AGREEMENTS.—Not later
22 than one year after the date of enactment of this
23 Act, the Secretary shall enter into agreements for
24 the capital modification or construction of facilities
25 under subsection (d)(1).

1 (4) COMPLETION OF ENGINEERING AND DESIGN
2 WORK.—Not later than three years after the date of
3 enactment of this Act, the Secretary shall complete
4 capital modifications of existing facilities and the en-
5 gineering and design work necessary for the con-
6 struction of new facilities under this section.

7 (f) REPORT ON PROGRAM.—Not later than 18
8 months after the date of enactment of this Act, and annu-
9 ally thereafter for the next 5 years, the Secretary of De-
10 fense shall, in consultation with the Under Secretary of
11 Defense for Acquisition, Technology, and Logistics, sub-
12 mit a report on the implementation and results of the pro-
13 gram required by this section to—

14 (1) the Committees on Armed Services, Energy
15 and Natural Resources, Agriculture, and Appropria-
16 tions of the Senate; and

17 (2) the Committees on Armed Services, Energy
18 and Commerce, Agriculture, and Appropriations of
19 the House of Representatives.

20 (g) FUNDING.—

21 (1) IN GENERAL.—Of the amounts authorized
22 to be appropriated under this section, \$250,000,000
23 may be available for the program required by this
24 section for fiscal years 2007 through 2012.

- 1 (2) AVAILABILITY.—Amounts available under
2 paragraph (1) shall remain available until expended.

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